

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION -- DIVISION OF FINANCIAL ASSISTANCE
SEPTEMBER 6, 2006**

ITEM 10

SUBJECT

CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO SONOMA VALLEY COUNTY SANITATION DISTRICT (DISTRICT) FOR CONSTRUCTION OF THE TERTIARY TREATMENT PLANT UPGRADE (PROJECT); SRF LOAN PROJECT NO. C-06-4823-110

DISCUSSION

The District is seeking a SRF loan from the State Water Resources Control Board (State Water Board) to construct an upgrade to the District's wastewater treatment plant (Plant) located near the town of Schellville adjacent to Highway 12 and ten kilometers north of San Pablo Bay. The Plant provides secondary level treatment for sewage collected from the City of Sonoma (City) and unincorporated areas of Glen Ellen, Boyes Hot Springs, and Agua Caliente. The Plant is designed to treat three million gallons per day (mgd) of dry weather flow and 16 mgd of peak wet weather flow. Between November 1 and April 30, Plant effluent is discharged to Schell Slough, which is a tributary to San Pablo Bay. Between May 1 and October 31, Plant effluent is used to irrigate local agricultural crops.

The objective of this project is to upgrade the Plant to comply with the new Waste Discharge Requirements (WDRs), Order No. R2-2002-0046, issued by the San Francisco Bay Regional Water Quality Control Board (San Francisco Bay Regional Water Board).

The Project consists of constructing a tertiary treatment system, including of a filtration system, a chemical feed system, and two chemical storage tanks at the existing plant. The Project could process three mgd of dry weather flow in the summer and 16 mgd of peak wet weather flow in the winter.

The Sonoma County Water Agency filed a Notice of Exemption (NOE) with the Sonoma County Clerk and the Governor's Office of Planning and Research on January 29, 2003, for the proposed Advanced Plant Upgrades Project. A categorical exemption from CEQA requirements was applied to the Project because all construction and installation of facilities would occur within current treatment plant boundaries and within previously disturbed areas. [Class 1: Existing Facilities, CEQA Guidelines, Section 15301, and Class 3: New Construction or Conversion of Small Structures, CEQA Guidelines, Section 15303].

Division staff have determined that the proposed upgrades will not affect special status species and that the project will not induce growth in the area.

On July 6, 2005, the State Historic Preservation Officer concurred with the Division of Financial Assistance's (Division) finding that no historic properties will be affected by the project. There are no special conditions.

Conformance with population projections of the State Implementation Plan was reviewed and the Division concluded that the proposed project will not violate any applicable air quality standards, and increased pollutant concentrations will not occur as a result of implementing the project.

In accordance with the State Water Board's *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), adopted on February 16, 1995, and amended on September 22, 2005, projects on the adopted priority list need State Water Board approval to receive a SRF loan. A SRF loan commitment can be approved by the State Water Board

after the Division has issued the Facilities Plan Approval (FPA). On April 12, 2006, the Division issued the FPA for the District's Project. The District agreed in writing on April 25, 2006, with the Division's approval.

The District has provided the Division with a schedule containing project milestones. These dates are included in the Division's FPA. In accordance with Section IX (J) of the SRF Policy, the resolution includes the following sunset dates for the preliminary funding commitment: October 2, 2006, for issuing a "Notice-to-Proceed" (NTP) to construction, and January 31, 2007, for signing the SRF loan agreement. The Division may approve up to a 90-day extension for good cause for both dates.

The District has applied for the full estimated eligible SRF loan amount of \$6.68 million for the Project. The District requests a 20-year repayment period with the first SRF loan repayment due one year after completion of construction.

POLICY ISSUE

1. Should the State Water Board approve a SRF preliminary loan commitment for the proposed project, including a 20-year repayment period, with the first repayment due one year after completion of construction?
2. Should the State Water Board, in accordance with Section IX (J) of the Policy, condition this approval by withdrawing the SRF preliminary loan commitment if the District does not issue a NTP to construction by October 2, 2006, and sign the SRF loan agreement by January 31, 2007? Should the Division staff have the discretion to approve up to a 90-day extension for good cause for both dates?

FISCAL IMPACT

(as of 7/20/06)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10
Beginning Balance:	\$535,391,979	\$160,328,393	\$79,423,990	\$120,462,253
Estimated Repayments	\$176,527,973	\$177,416,185	\$187,416,185	\$197,416,185
Debt Service on Revenue Bonds	(\$33,439,354)	(\$33,357,579)	(\$31,893,104)	(\$31,758,441)
Estimated Capitalization Grants	\$44,528,521	\$0	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$0	\$0	\$0
Local Match Credits	\$30,884,632	\$7,075,635	\$4,610,358	\$4,166,750
Est. SMIF Interest:	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Estimated Disbursements	(\$533,443,015)	(\$193,384,730)	(\$102,024,727)	(\$50,000,000)
Subtotal	\$221,844,058	\$120,077,905	\$139,532,702	\$242,286,747
LACSD, Proj. Nos. 4701-110 through 4701-520	(\$28,600,665)	(\$13,636,915)	(\$2,252,449)	
Sonoma Valley CSD, Proj. No. 4823-110	(\$3,680,000)	(\$3,000,000)		
Redding, City of, Proj. No. 4971-110	(\$3,700,000)	(\$400,000)		
Santa Margarita Water District, Proj. No. 4825-210	(\$1,535,000)	(\$3,617,000)	(\$1,018,000)	
Reserve for Small Community Wastewater Grant Projects	(\$24,000,000)	(\$20,000,000)	(\$15,800,000)	
Balance	\$160,328,393	\$79,423,990	\$120,462,253	\$242,286,747

Notes:

Estimated Repayments include repayments from existing and future loans.

Local match credits consist of G. O. Bond funds used as state match with previous Capitalization Grants but not disbursed due to previous local agency expenditures for local match loans funded with federal funds from those previous Capitalization Grants.

Estimated disbursements include disbursements remaining on existing loans as well as disbursements anticipated on loans executed for projects with existing commitments. The Division revises the estimated disbursements total monthly as cash draw forecasts are updated.

REGIONAL WATER BOARD IMPACT

The San Francisco Bay Water Board has prescribed NPDES Permit No. CA0037800 and WDRs Order No. R2-2002-0046 for the Plant. The proposed project will assist the Plant to comply with the NPDES Permit and WDRs.

STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF preliminary loan commitment of \$6.68 million for the District's Project with a repayment period of 20 years, and with the first repayment due one year after completion of construction.
2. In accordance with the SRF Policy, condition this approval by withdrawing the SRF preliminary loan commitment if the District does not issue a NTP to construction by October 2, 2006, and sign the SRF loan agreement by January 31, 2007. The Division staff should have the discretion to approve up to a 90-day extension for good cause for both dates.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2006-**

**APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO
SONOMA VALLEY COUNTY SANITATION DISTRICT (DISTRICT) FOR CONSTRUCTION
OF THE TERTIARY TREATMENT PLANT UPGRADE (PROJECT);
SRF LOAN PROJECT NO. C-06-4823-110**

WHEREAS:

1. The State Water Resources Control Board (State Water Board), on February 16, 1995, adopted the "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*," and amended it on September 22, 2005;
2. The State Water Board, on June 7, 2006, adopted the State Fiscal Year 2006/2007 SRF Loan Program Priority List which included the District's Project in Priority Class C;
3. The Division of Financial Assistance (Division) approved the Facility Plan for the District's Project on April 12, 2006, and the District agreed with the approval on April 25, 2006; and
4. The Sonoma County Water Agency has filed a Notice of Exemption which has been reviewed and considered and it has been determined that the project qualifies for a Class 1 and 3 Categorical Exemption from CEQA requirements and will not result in any significant water quality impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF preliminary loan commitment of \$6.68 million for the District's Project, with a repayment period of 20 years, and the first repayment due one year after completion of construction;
2. Includes a condition that this SRF preliminary loan commitment will expire if the District does not issue a "Notice-to-Proceed" to construction by October 2, 2006, and sign the SRF loan agreement by January 31, 2007. The Division staff may approve up to a 90-day extension for good cause for both dates; and
3. Directs the Division to allocate \$6.68 million consistent with the construction schedule and availability of funds.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on September 6, 2006.

Song Her
Clerk to the Board